

## Message Text

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PAGE 01 STATE 139936

64

ORIGIN EB-11

INFO OCT-01 ARA-16 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 SS-15 NSC-10 L-03 /076 R

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7/17/73 EXT. 22654

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R 171925Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY MONTEVIDEO

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E.O. 11652: N/A

TAGS: ETRN, UY

SUBJECT: CIVAIR - NEW URUGUAYAN CIVIL AIR POLICY

REF : MONTEVIDEO 2151

1. DEPT BELIEVES DIRECTION OF EMBASSY'S COMMENTS TO  
GOU ON RESTRICTIVE AIR TRANSPORT POLICIES MOST APPROPRIATE.  
IN FUTURE TALKS YOU MAY DRAW UPON THE FOLLOWING.

2. URUGUAY, BY VIRTUE OF ITS GEOGRAPHICAL POSITION AND  
OTHER LIMITATIONS, WILL OVER THE NEAR FUTURE AT LEAST,  
BE DEPENDENT UPON FOREIGN CARRIERS FOR INTERCONTINENTAL  
SERVICE. THESE CARRIERS IN TURN WILL CONTINUE TO PROVIDE  
ADEQUATE SERVICE ONLY SO LONG AS THEY ENJOY OPERATING  
CONDITIONS WHICH JUSTIFY THE SERVICE. RESTRICTIONS ON  
ADDITIONAL FREQUENCIES, SUCH AS THE BURDEN OF A NEW  
EXPORT TAX ON TICKETS WHICH WOULD BE BORNE BY THE CARRIER,  
WILL NOT ONLY DISCOURAGE NEW SERVICE, BUT COULD HAVE AN  
ADVERSE IMPACT ON PRESENT OPERATIONS. URUGUAY'S PAST  
LIBERAL POLICIES HAVE PERMITTED A LEVEL OF AIR SERVICE  
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PAGE 02 STATE 139936

FROM WHICH URUGUAYAN ECONOMY AND TRAVELERS BENEFITED

WHICH THE MARKET ITSELF MIGHT NOT BE ABLE TO SUPPORT. SHOULD URUGUAY ADOPT RESTRICTIVE POLICIES, AND SHOULD RESTRICTIONS WHICH IT CANNOT INFLUENCE BE INTRODUCED BY NEIGHBORING COUNTRIES AS WELL, URUGUAY MAY FIND INTERNATIONAL AIR TRANSPORT SERVICES REDUCED TO AN UNSATISFACTORY LEVEL. ITS MARKET ALONE MIGHT NOT JUSTIFY THE MAINTENANCE OF EXISTING SERVICES, AND THE COUNTRY COULD BE SEVERLY ISOLATED. IN FACT, GOU LIBERAL POLICIES TO DATE HAVE SERVED TO PROTECT COUNTRY FROM ISOLATION. FOR THIS REASON ALONE IT WOULD SEEM TO BE IN GOU'S INTEREST TO CONTINUE LIBERAL AIR TRANSPORT POLICIES.

3. SINCE URUGUAYAN CARRIER DOES NOT AND PROBABLY WILL NOT EXTEND ITS SERVICES BEYOND ARGENTINA AND BRAZIL, PAN AMERICAN IS REALLY NOT COMPETING WITH IT, AND CERTAINLY CAN DO IT NO DAMAGE. CONVERSELY ACTION CONTEMPLATED COULD NOT BENEFIT URUGUAYAN CARRIER.

4. FYI: USG HAD NO REAL LEVERAGE IN THIS SITUATION SINCE NO URUGUAY CARRIER SERVES THE U.S. THIS IS IN CONTRAST TO SITUATION IN ARGENTINE WHERE AEROLINEAS ARGENTINA'S ROUTES TO THE U.S. ACCOUNT FOR A VERY HIGH PERCENTAGE OF ITS INTERNATIONAL REVENUES. URUGUAYAN PROPOSAL APPEARS SIMILAR TO POLICY ADOPTED BY PERU WHICH LEVIES A 25 PERCENT SERVICE CHARGE ON TICKETS SOLD IN PERU ON NEW FREQUENCIES. USG BELIEVES THIS CHARGE VIOLATES US-PERU BILATERAL AGREEMENT, AND HAS NOT COUNTENANCED IT IN ANY WAY. END FYI. RUSH

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 JUL 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** worrelsw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973STATE139936  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** WBCOBB:JO  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730728/aaaaauho.tel  
**Line Count:** 89  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 73 MONTEVIDEO 2151  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** worrelsw  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24-Jan-2002 by willialc>; APPROVED <28 FEB 2002 by worrelsw>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR - NEW URUGUAYAN CIVIL AIR POLICY  
**TAGS:** ETRN, UY  
**To:** MONTEVIDEO  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005